EU-funded Twinning Project
Support to the Employment Service Agency for Implementation of Active Labor Market Measures and Services (MK 10 IB SO 02)

This presentation provides a configuration of regulations, topics and tasks which have to be known and followed in managing IPA funded projects.

The single chapters and respective topics give an overview of the main requirements and serve as an introductory information which contains references to important documents and links where to find them.

This collection is not encompassing and closing
EU-funded Twinning Project
Support to the Employment Service Agency for Implementation of Active Labor Market Measures and Services (MK 10 IB SO 02)

“Support to the Employment Service Agency for implementation of active labour market measures and services”
This project is funded by the European Union.

Wilhelm Riepert
Managing projects under IPA II regulations

- Wilhelm Riepert -
Content:

1. Framework / Structure
   - IPA II
   - EU- / National Regulations
   - Control provisions
   - Administrative/Financial structure
   - Partnership/Monitoring system
   - Monitoring Committee

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- General Team tasks
- Project Cycle
- Monitoring
- On the Spot Checks
- Audit trail
- Risk management
- Secondary procurement
- Eligible costs
- Narrative and Financial Reporting: quarterly, annual, final reports
- Visibility and Communication
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EU- Program: 
Instrument for Pre-Accession Assistance (IPA II)

main financial instrument to support reforms with a view to EU membership

• addresses four specific objectives:
  (a) support for political reforms,
  (b) support for economic, social and territorial development,
  (c) strengthening the ability for progressive alignment with, implementation and adoption of, the Union *acquis*,
  (d) strengthening regional integration and territorial cooperation.
EU- Programs:  
Instrument for Pre-Accession Assistance (IPA II)

• in five policy areas:
  a) reforms in preparation for EU membership and related institution-and capacity-building,
  b) socio-economic and regional development,
  c) employment, social policies, education, promotion of gender equality, and human resources development,
  d) agriculture and rural development, and
  e) regional and territorial cooperation.
EU- Programs: IPA II

Funding allocation 2014-2020: € 664.2 million

The priority sectors:

- Democracy & governance
- Rule of law & fundamental rights
- Environment & climate action
- Transport
- Competitiveness & innovation
- Social development € 53.2 million
- Agriculture & rural development
- Regional and territorial cooperation

Framework / Structure

EU-/ National Programs:

EU: Instrument for Pre-Accession Assistance (IPA II)

• IPA II regulation
• Common Implementing Regulation (CIR)
• IPA II Implementing Regulation

Framework / Structure
EU- Programs:

- COMMISSION IMPLEMENTING REGULATION (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing


- IPA II 2014 ANNUAL PROGRAMME FOR THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Framework / Structures

National Laws and Regulations

- ANNUAL WORK PROGRAMME FOR GRANTS 2014 by Central Financing and Contracting Department (CFCD) of the Ministry of Finance

- GRANT CONTRACT:
  Support to the Employment of Young people, Long term Unemployed and Women (II)
  
  - Special Conditions and Annexes
  - Provisions regarding
    - the object of contract,
    - timeframe
    - financing conditions,
    - technical and financial reporting,
    - contacts,
    - special requirements for visibility, and payments
System of basic documents

• EU-regulations on IPA II implementation

• Indicative national Strategy Papers
  • set the priorities and objectives for the 7-year period
  • defines the results expected to be achieved by 2020 and
  • the actions that are necessary to reach them
  • as well as the indicators that will allow monitoring of progress towards achievement of those results.

• Annual or multi-annual Country Action Programmes
  • translate priorities outlined in the Strategy Papers into detailed actions

COMMISSION IMPLEMENTING REGULATION (EU) No 447/2014 of 2 May 2014

Article 13

Conditions for entrusting an IPA II beneficiary with budget implementation tasks

2. The IPA II beneficiary shall guarantee a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012 and ensuring Delegated Regulation (EU) No 1268/2012 and shall set up the necessary structures ensuring the effective functioning of internal control systems.


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Article 13

Conditions for entrusting an IPA II beneficiary with budget implementation tasks

3. The management, control, supervision and audit systems set up in the IPA II beneficiary shall provide for an effective internal control system which includes at least the following five areas:

(a) control environment;
(b) risk management;
(c) control activities;
(d) information and communication;
(e) monitoring activities.
Article 13
Annual report

1. The Commission shall examine the progress made in implementing the measures of the Union's external financial assistance and, from 2015 onwards, shall submit to the European Parliament and to the Council an annual report on the achievement of the objectives of each Regulation by means of indicators, measuring the results delivered and the efficiency of the relevant Instrument. That report shall also be submitted to the European Economic and Social Committee and to the Committee of the Regions.
Article 13

Annual report

2. The annual report shall contain information relating to the previous year on the measures financed, the results of monitoring and evaluation exercises, the involvement of the relevant partners, and the implementation of budgetary commitments and of payment appropriations broken down by country, region and cooperation sector. It shall assess the results of the Union's financial assistance using, as far as possible, specific and measurable indicators of its role in meeting the objectives of the Instruments. In the case of development cooperation, the report shall also assess, where possible and relevant, the adherence of aid-effectiveness principles, including for innovative financial instruments.
Administrative structure / Financial administration

Central Financing and Contracting Department (CFCD) within the Ministry of Finance (MoF) is:

- Implementing Agency,
- Responsible for all procedural aspects,
- Lead Body in the Operating Structures per IPA Component,
- Contracting Authority, having sole responsibility for tendering, contracting and payments concerning EU funded projects.

Tasks (can be) are delegated to the respective Line Ministries / Beneficiary Institutions

http://cfcd.finance.gov.mk
Administrative structures / Financial administration

CFCD has the following responsibilities (list not exhaustive):

- Tendering;
- Contracting;
- Contracts Administration;
- Monitoring;
- Management of CFCD Bank Accounts;
- Payments;
- Accounting;
- Reporting;
- HR management;
- Management of Irregularities;
- Risk Management;
- Quality Control;
- Supervision over the SPOs / IPA Coordinators in the Line Ministries/Beneficiary Institutions
- Respecting Publicity and Visibility Rules.

http://cfcd.finance.gov.mk/?page_id=8
Operating Structure for IPA Component IV – Human Resources Development

Head of Operation Structure (HOS)
- appointed as a Head of CFCD within the Ministry of Finance-

Central Financing and Contracting Department
- functioning as a department within the Ministry of Finance-

IPA Coordinator
within the Ministry of Labour and Social Policy
- appointed by the Minister of Labour and Social Policy-

IPA Coordinator
within the Ministry of Education and Science
- appointed by the Minister of Education and Science-

Unit for Coordination and Implementation of IPA Component IV
- functioning as a unit within the Ministry of Labour and Social Policy-

Unit for Monitoring and Evaluation of IPA Component I and IV
- functioning as a unit within the Ministry of Labour and Social Policy-

Unit for Implementation and Coordination of IPA Component I and IV
- functioning as a unit within the Ministry of Education and Science-

Unit for Monitoring and Evaluation of IPA Component I and IV
- functioning as a unit within the Ministry of Education and Science-

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THERE IS NO PROJECT MANAGEMENT WITHOUT MONITORING!

Monitoring / controlling system is

- to support effective decision-making
- by assessing the progress of a programme / project against the started objectives,

through systematic and continuous collection, analysis and use of management information on

- Physical progress
  (input provision, activities undertaken and results delivered)
- Quality of process
  (i.e. stakeholder participation and local capacity building)
- Compliance with EC regulations, contract requirements, national legislation …
- Financial progress (budget and expenditure)

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Monitoring / controlling system

... ensures ongoing assessment of:

- Continuous relevance and feasibility of the project

- Progress in achieving objectives and resources used

- Quality of management, including risk management

- Prospects for sustainability

- Action / Alignment required
Monitoring / Partnership

Partnership is one of the key and mandatory principles of cohesion policy.

The procedures and structures of partnership have precisely to be laid down within the Operational Programme (OP) / Project Plan.
Partnership as a principle

....characterises the modus of cooperation between

- the Commission and the Member State
- the different levels and actors within the Member State

....requires appropriate cooperation between all relevant actors and levels

....promotes adequate decentralized implementation.
Member State has to realize partnership with

• the competent regional, local, urban and other public authorities;
• the economic and social partners;
• any other appropriate body representing civil society, environmental partners, non-governmental organisations, and bodies responsible for promoting equality between men and women
Monitoring / Partnership

Partnership has to be executed and confirmed with respect to the

- preparation,
- implementation,
- monitoring and evaluation

of programmes / projects

Partnership usually is performed via appropriate committees including representatives of authorities, institutions and bodies to be involved.

Partnership with respect to the implementation of the OP is obligatory to be realized by establishing a Monitoring Committee at least at national level.

COMMISSION IMPLEMENTING REGULATION (EU) No 447 2014 of 2 May 2014.pdf, Art. 18, 19
IPA DECENTRALISED IMPLEMENTATION SYSTEM CHART

IMC - IPA MONITORING COMMITTEE
(IE, TIPAC(INO)/Strategic Coordinator/Operating Structure)

SECTORAL MONITORING COMMITTEES (SMC)
(EC, TIPAC/Strategic Coordinator (SC)) Operating Structures

European Commission/European Union Delegation

IPA AUDIT AUTHORITY (AA) External Audit

National IPA co-ordinator
(NIPAC) Deputy Prime Minister responsible for EU

NIPAC Office
Secretariat for European Affairs (SEA)

STRAIGHT CO-ORDINATOR (SC)
for IPA Components III and IV
Deputy Prime Minister for Economic Affairs

COMPETENT ACCREDITING OFFICER (CAO)
Minister of Finance

NATIONAL AUTHORIZING OFFICER (NAO)
State Advisor in the Ministry of Finance

NATIONAL FUND (NF)
Ministry of Finance, Treasury Department

Head of Operating Structure/Programme Authorising Officer
CENTRAL FINANCING AND CONTRACTING DEPARTMENT (CFCD)
Ministry of Finance

Specific Body Component III

SPO/IPA Coordinator
IPA Units in Line Ministries
(Bodies of the OS for relevant components)

Beneficiary Institutions
(Bodies in the OS for Component I)

CONTRACTORS

Reporting

Supervision

Flow of Funds

EU ex-ante

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http://cfcd.finance.gov.mk/?page_id=10

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MONITORING / Controlling / Partnership Structure and Involvement

EU-Level

National level

Regional level

EU

MoF

MLSP
Line ministry

ESA
Intermediate body

Monitoring Committee

IB
Regional

Partnership commission

IB
Regional

Partnership commission

Steering committees

Steering committees

projects

projects
Monitoring Committees
Role and responsibilities

- Proposes changes to the SPD (needs commission’s approval)
- Agrees and amends the Program Complement
- Reviews progress of the program and funding used
- Considers and approves the annual and final reports
- Checks midterm evaluation / suggested amendments
- Defines selection criteria for projects
- Approves use of technical assistance
- Monitoring and reporting
Monitoring Committee
National Level

• Chaired by Managing Authority, the Ministry of ...
• Secretariat
• Meeting: X-times a year (2 X minimum)

• X Members: X administrative authorities (Ministries),
  X regions,
  X social and economic partner,
  X NGO´s
• Experts (if needed – no formal members)
• Commission (advisory role)
• Rules of procedures
## Monitoring Committee
### Rules of procedures

### General Rules
- § Period of act
- § Composition
- § Invitation of experts
- § Tasks and responsibilities
- § Secretariat

### Meeting procedures
- § Time and place of the meeting
- § Calling a meeting
- § Keeping the meeting
- § Presence at the meeting
- § Introduction
- § Voting
- § Dissenting opinion
- § Minutes and approving the minutes
- § Written procedure

### Other Orders
- § Position of the members
- § Fees and compensation
- § Information and publicity

---

“Support to the Employment Service Agency for implementation of active labour market measures and services”
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General IPA Project-Team Responsibilities

- Monitoring / controlling
- On the Spot Checks
- Audit trail
- Risk management
- Irregularities
- Reporting on suspected fraud and other irregularities
- Secondary procurement
- Eligible costs
- Narrative and Financial Reporting: quarterly, annual, final reports
- Visibility and Communication
Functions and responsibilities of the operating structures

1. Operating structure(s) shall be established by the IPA II beneficiary to implement and manage the IPA II assistance.
2. The operating structure shall be responsible for the implementation, information and visibility, monitoring and reporting of programmes, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programmes under its responsibility.

Structures and authorities

4. The IPA II beneficiary shall ensure adequate segregation of duties between and within the structures and authorities referred to in paragraphs 1 to 3.
Project Cycle Management

Programming
Framework of EU- / national Programs
Regulations / laws
Strategy

Evaluation & Audit
Benefits achieved and sustained,
lessons learnt,
(financial) compliance
with laws and rules

Identification
Identification of Problems, Needs,
Interests of Partners,
Projects

Implementation
Achievement of results,
use of resources,
corrective actions

Formulation
Assessment of Projects:
feasibility, sustainability
Programmes / projects have to foresee:

- planning, human resources, budget and other appropriate measures for monitoring
- provisions for
  - mid-term review
  - final evaluation
- costs: at least 2% of the total eligible cost of the action
- reports have to be submitted to the Contracting Authority.
Distinction between evaluation, monitoring and audit

Evaluation: Assessment of the efficiency, effectiveness, impact, relevance and sustainability of aid policies and actions

Monitoring: Ongoing analysis of project progress towards achieving planned results with the purpose of improving management decision making

Audit: Assessment (with a financial focus) of
- the legality and regularity of project expenditure and income i.e. compliance with laws and regulations and with applicable contractual rules and criteria;
- whether project funds have been used efficiently and economically i.e. in accordance with sound financial management;
- whether project funds have been used effectively i.e. for purposes intended.
ON -THE- SPOT CHECKS

• ensure effective monitoring of project progress
• offer verification of compliance with the Grant Contract
• allow direct contact with grant beneficiary, target group, service providers …
ON-THE-SPOT CHECKS

Preparing needs

- Analysis of relevant documents related to the contract (contract, reports, minutes of meetings, checklists from monitoring, visits, etc.);

- Definition of visit objectives and scope

- Confirmation of date, location, schedule, participants

- Draft agenda
ON -THE- SPOT CHECKS

Reports / records include:

- Basic purpose of the project
- Main activities and outputs
- Indication of exhaustive or sample check
- Attendants of meetings
- Names of the people interviewed
- Checked documents, timesheets, invoices ...
- Deviations of Contract requirements
- Conclusions, decisions, agreements
- Recommendations

Results are to be stated in the Quarterly Report
Audit

Audit can be distinguished from monitoring, regular review and evaluation by:

• **Its objectives** (to provide independent assurance)

• **Its scope**
  (financial focus on the efficiency, economy and effectiveness of activities)

• **Those involved** (qualified independent auditors)

• **The users of the results**
  (EC, other donors, partner country authorities and senior, project managers)
Audit Criteria

**Compliance:** relates to conformity of project activities and finances with applicable laws and regulations (‘legality’) and rules (‘regularity’).

**Efficiency & Economy:** means project results have been achieved at reasonable cost; inputs/means have been well converted into activities, in terms of quality, quantity and time.

**Effectiveness:** checks the contribution of activities to achievement of the Project Purpose, including specific assessment of the benefits accruing to target groups, including gender aspects.

Audits primarily examine the more tangible and short-term project results.
Audit trail

*Project team is responsible for keeping of all documentation* to ensure:

- accounting documents are available and filed separately
- adequate audit trail of:
  - Who paid;
  - What was paid;
  - Who verified;
  - Where the related documents are stored.
Audit trail

Documents to be available for financial control and audit purposes:

• Approved application form (including all approved changes)
• Grant contract, Partnership Agreement, Contract for national co-financing
• Relevant correspondence on operation
• Documentation received by all project partners (Partner Progress/Final Reports)
• Lead Beneficiary Progress/Final Reports
• Invoices / bank account statements / proofs of payments
## Documentation of Audit Trail

- **Example** -

<table>
<thead>
<tr>
<th>Steps</th>
<th>Responsible Unit</th>
<th>Tasks</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application</td>
<td>Applicant</td>
<td>Submission of Application</td>
<td>Application form</td>
</tr>
<tr>
<td>Assessment of Application</td>
<td>Project team</td>
<td>Assessment in compliance with selection criteria</td>
<td>Criteria checklist</td>
</tr>
<tr>
<td>Approval</td>
<td>Contracting Authority</td>
<td>Emission of Grant</td>
<td>Grant forms</td>
</tr>
<tr>
<td>Payments</td>
<td>Contracting Authority</td>
<td>Disbursement</td>
<td>Invoices, accounts currents,</td>
</tr>
<tr>
<td>Financial report</td>
<td>Applicant</td>
<td>Final reporting</td>
<td>Financial management forms</td>
</tr>
</tbody>
</table>

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Risk Management

TYPES OF RISKS

Inherent – cannot be changed (value of project, duration, etc.)

Implementation – technical mistakes, delays in schedule

Administrative – lack of administrative capacity

Control – lack of control, no clear monitoring
Risk Management

RISK REGISTER

Should contain

List of identified risks

List of potential responses

Root causes of risk

Updated risk categories
## RISKS

### Risk management matrix – example format

<table>
<thead>
<tr>
<th>LF ref</th>
<th>Risks</th>
<th>Potential adverse impact</th>
<th>Risk level (H/M/L)</th>
<th>Risk management strategy</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

*Project Cycle Management Guidelines, p. 104*
**RISK ASSESSMENT LEVEL OF GRANT CONTRACTS**

<table>
<thead>
<tr>
<th>Project characteristics</th>
<th>2-Medium risk</th>
<th>3-High risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk/Assumptions (in the Logframe)</strong></td>
<td>Identified risk require careful management of the project (e.g. sequencing, etc.)</td>
<td>Risk in the project logframe are likely to materialize due to the change in the environment or unrealistic assumptions</td>
</tr>
<tr>
<td><strong>Description of activities and detailed Work Plan</strong></td>
<td>Some inconsistencies in description of activities and Work Plan</td>
<td>Vague description of activities and unrealistic Work Plan (secondary procurement, timing of trainings, etc.)</td>
</tr>
<tr>
<td><strong>Contract duration</strong></td>
<td>Realistic</td>
<td>Short duration (less 8 month) with high-sub-contracting amount</td>
</tr>
<tr>
<td><strong>Previous experience of Grant Beneficiary in relevant area</strong></td>
<td>Limited experience in the relevant area of Grant Beneficiary</td>
<td>Novely of intervention for the Grant beneficiary (transfer of new experience/model, building a new structure, etc.)</td>
</tr>
<tr>
<td><strong>Project management</strong></td>
<td>Limited experience in project management and 1-2 projects under IPA</td>
<td>Grant beneficiary has little project management experience and no experience under IPA More than 2 partners</td>
</tr>
<tr>
<td><strong>Project methodology</strong></td>
<td>Not well elaborated</td>
<td>New pilot actions, new methodologies, many partners</td>
</tr>
<tr>
<td><strong>Type of secondary procurement</strong></td>
<td>Versatile supplies (Lots), limited experience in subcontracting</td>
<td>Complex equipment – requirement for customized design, no experience in subcontracting</td>
</tr>
<tr>
<td><strong>Available External Audit-Expenditure verification</strong></td>
<td>External verification is available</td>
<td>Not available</td>
</tr>
</tbody>
</table>
Secondary Procurement

Secondary procurement is allowed only if:

- it is necessary for the activities foreseen in the Grant Contract
- expenses are eligible and foreseen in the budget

Three types of secondary procurement contracts:
- Service contracts
- Supply contracts
- Works contracts

Contracts must be awarded in accordance with the principles of transparency and fair competition, avoiding conflicts of interest.
Secondary Procurement

Procurement Rules apply to any contract signed with a third party (that is not a partner in the project) for:

- Purchase of equipment, furniture, supplies, petrol, etc.
- Purchase of services, such as sub-contracted surveys and research, trainings conducted by external organisations/lecturers, catering for seminar participants, translation, transportation, publishing, etc.
- Renting of premises, equipment, etc.
- Renting of transport vehicles – cars, buses, etc.
- Purchase of works for renovation of facilities, etc.

http://ec.europa.eu/europeaid/prag/?header_description=DEVCO+Prag+to+financial+and+contractual+procedures+applicable+to+external+actions+financed+from+the+general+budget+of+the+EU+and+from+the+11th+EDF&header_keywords=ePrag%2C+europa
# Secondary Procurement

<table>
<thead>
<tr>
<th>Main Procurement Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Services</strong></td>
</tr>
<tr>
<td>≥ € 300,000</td>
</tr>
<tr>
<td>International restricted tender procedure</td>
</tr>
<tr>
<td>&lt; € 300,000, but &gt; € 20,000 Framework contracts or Competitive negotiated procedure</td>
</tr>
<tr>
<td>≤ € 20,000</td>
</tr>
<tr>
<td>Single tender</td>
</tr>
<tr>
<td>≥ € 300,000</td>
</tr>
<tr>
<td>International open tender procedure</td>
</tr>
<tr>
<td>&gt; € 100,000 but &gt; € 20,000 Local open tender or framework contract</td>
</tr>
<tr>
<td>For service and supply contracts, a payment may be made against invoice without prior acceptance of a tender if the expenditure is ≤ € 2,500</td>
</tr>
<tr>
<td>&lt; € 300,000</td>
</tr>
<tr>
<td>but &gt; € 20,000</td>
</tr>
<tr>
<td>Competitive negotiated procedure or framework contract</td>
</tr>
</tbody>
</table>

| **Supplies**            |
| ≥ € 300,000             |
| International open tender procedure |
| < € 5,000,000, but > € 20,000 Local open tender or International restricted tender procedure |
| < € 300,000, but > € 20,000 Competitive negotiated procedure |

| **Works**               |
| ≥ € 5,000,000           |
| International open tender procedure or International restricted tender procedure |
| < € 5,000,000, but > € 20,000 Local open tender procedure |
| < € 300,000, but > € 20,000 Competitive negotiated procedure |

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“Support to the Employment Service Agency for implementation of active labour market measures and services” Wilhelm Riepert

This project is funded by the European Union.
Eligible costs
Direct costs:

• Costs of staff
• Travel and subsistence costs for staff
  (travel abroad, see: [http://ec.europa.eu/europolis/work/procedures/implementation/per_diems/index_en.htm](http://ec.europa.eu/europolis/work/procedures/implementation/per_diems/index_en.htm))
• Local Office costs
  (vehicle cost, rent of office, consumables and services including telephone, fax, electricity, heating, etc.)
• Cost of services
  (consultancy fees, production of documents, studies necessary for the implementation of the action, expenditure verification, translation, visibility, publication and dissemination of information, external evaluation etc.)
• Contingency reserve not exceeding 5% of the direct eligible Costs
  (costs can be used only with the prior written authorisation of the Contracting Authority)
• Lump sum not exceeding 7% of direct eligible costs
  (to cover administrative overhead costs as they are not included in other headings of the Contract budget)
Ineligible Costs

- taxes, including value added taxes*  
  (unless they are not recoverable by any means and it is established that they are borne by the final beneficiary)
- customs and import duties, or any other charges
- purchase, rent or leasing of land and existing buildings*  
  (unless it is preferable to other solutions in terms of the best value for money)
- fines, financial penalties and expenses of litigation
- operating costs*
- second hand equipment
- bank charges, costs of guarantees and similar charges
- conversion costs, charges and exchange losses, purely financial expenses
- contributions in kind
- maintenance and rental costs*
- depreciation costs for the infrastructure*  
  (unless no other grants have contributed to the purchase; depreciation costs are calculated with the relevant applicable national accountancy rules)
* unless costs relate exclusively to the period of co-financing of the operation concerned
Eligible cost

Indirect Costs

• Lump sum not exceeding 7% of direct eligible costs
  (to cover administrative overhead costs as they are not included in other headings of the Contract budget)
Types of reporting:
- Narrative reports
- Financial Report
- Expenditure Verification Report
- Reporting on suspected fraud and other irregularities

Interim / Annual Reports (narrative and financial)
( must accompany every Request for Payment )

Final Report (narrative and financial)
( must be submitted within the deadline as defined in the Contract )

The reports must be signed by the authorised legal representative of the Grant Beneficiary organisation.
Reporting

Types of reporting:

- Narrative reports
- Financial Report
- Expenditure Verification Report
- Reporting on suspected fraud and other irregularities

**Interim Reports** (narrative and financial)

(must accompany every Request for Payment)

**Final Report** (narrative and financial)

(must be submitted within the deadline as defined in the Contract)

The reports must be signed by the authorised legal representative of the Grant Beneficiary organisation.
Reporting

- The Interim Report must include a detailed Work Plan on implementation of activities for the following period.
- The Final Narrative Report must include an analysis of the achievement of project objectives and impact of the project on target groups and beneficiaries.
- All relevant deliverables related to the implementation of activities must be attached to the Narrative Report – publications, surveys, attendance sheets, etc.
- The information provided in the Narrative Report must correspond to the financial information provided in the Financial Report.
Reporting

- The Interim Report must include a detailed Work Plan on implementation of activities for the following period.
- The Final Narrative Report must include an analysis of the achievement of project objectives and impact of the project on target groups and beneficiaries.
- All relevant deliverables related to the implementation of activities must be attached to the Narrative Report – publications, surveys, attendance sheets, etc.
- The information provided in the Narrative Report must correspond to the financial information provided in the Financial Report.
Programmes / projects have to publicise that the European Union has financed or co-financed the Action. This is to raise the awareness of specific or general audiences of the reasons and the EU support for the action as well as the results and the impact of this support.

All programmes / projects have to integrate in their work plan a budgeted communication and visibility plan highlighting the external communication activities that are to take place at key stages of the action.

Call for Proposals

are a public invitation

• by the (Contracting) Authority,
• addressed to clearly identified categories of applicants,
• to propose operations within the framework of a specific EU programme (here: IPA-fund)
Call for Proposals

steps:
• Identification of an idea

• Ideas are identified in the context of an agreed strategy

• Ideas are in line with the objectives expressed in the programming phase

• Working Plan which can be implemented and evaluated

• The stakeholders are involved
Call for Proposals

Content

1. Title of Programme
   • Background
     - Economic and labour market conditions
     - Urgent problems / needs
   • Objectives and priority issues
     - Overall objectives
     - Specific objectives
     - Possible solutions
     - Expected results
   • Financial allocation
Call for Proposals

Content

2. Rules
   • Eligibility criteria
   • How to apply
   • Evaluation and selection of applicants

3. List of Annexes
   -
   -

http://ec.europa.eu/europeaid/prag/document.do?nodeNumber=1
Assessment of Applications

Selecting criteria…

1. Relevance
   • relevant with objectives

2. Quantification
   • ability to set targets, easily measured

3. Reliability
   • the clarity of definitions

4. Availability
   • how to get information - monitoring
Selection criteria

- Actions compatible to national plans
- Coherence of project plan
- Proportion of effort and result
- Adequate financial and personnel input
- Eligibility of expenditure
- Qualification of institution and manpower
- Transferability
- Sustainability
# Selection criteria

<table>
<thead>
<tr>
<th>1. Relevance of the action</th>
<th>Sub-score</th>
<th>30</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 How relevant is the proposal to the objectives and priorities of the Call for Proposals?*</td>
<td>5x2**</td>
<td></td>
</tr>
<tr>
<td>1.2 How relevant to the particular needs and constraints of the target country(ies) or region(s) is the proposal (including synergy with other EU initiatives and avoidance of duplication)?</td>
<td>5x2*</td>
<td></td>
</tr>
<tr>
<td>1.3 How clearly defined and strategically chosen are those involved (final beneficiaries, target groups)? Have their needs been clearly defined and does the proposal address them appropriately?</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>1.4 Does the proposal contain specific added-value elements, such as environmental issues, promotion of gender equality and equal opportunities, needs of disabled people, rights of minorities and rights of indigenous peoples, or innovation and best practices, and the other additional elements indicated under 1.2 of these Guidelines?</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Design of the action</th>
<th>Sub-score</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 How coherent is the overall design of the action? In particular, does it reflect the analysis of the problems involved, take into account external factors and relevant stakeholders?</td>
<td>5x2**</td>
<td></td>
</tr>
<tr>
<td>2.2 Is the action feasible and consistent in relation to the objectives and expected results?</td>
<td>5x2**</td>
<td></td>
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</tbody>
</table>

**TOTAL SCORE** 50
## Selection criteria

<table>
<thead>
<tr>
<th>Section</th>
<th>Maximum Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financial and operational capacity</td>
<td>20</td>
</tr>
<tr>
<td>2. Relevance of the action</td>
<td>30</td>
</tr>
<tr>
<td>3. Effectiveness and feasibility of the action</td>
<td>20</td>
</tr>
<tr>
<td>4. Sustainability of the action</td>
<td>15</td>
</tr>
<tr>
<td>5. Budget and cost-effectiveness of the action</td>
<td>15</td>
</tr>
<tr>
<td>Maximum total score</td>
<td>100</td>
</tr>
</tbody>
</table>
WHY WE NEED INDICATORS?

• Indicators serve as tools to examine trends and highlight problems

• Indicators provide evidence of how much has been or has not been achieved

• Indicators can signal the need for corrective management action, be used to evaluate the effectiveness of various management actions, help determine if objectives are being achieved

• Indicators enable a large amount of data to be reduced down to its simplest form
INDICATORS

should be specific in terms of:

– Quality (what?)

– Quantity (how much?)

– Time (when, how long?)

– Target Group (who?)

– Place (where?)
## Indicators

<table>
<thead>
<tr>
<th>Type of Indicators</th>
<th>Subject of Indicators</th>
<th>Examples</th>
</tr>
</thead>
</table>
| **1. Context-Indicators** | Description of socio-economic environment, labour market data | Development of  
  • employment  
  • unemployment  
  • foundations of enterprises |
| **2. Input-Indicators** | Planned insertion of resources                                                        | Finances  
  Co-financing  
  Number of participants |
| **3. Output-Indicators** | Presentation of project progress                                                      | Actual use of resources,  
  Quantity and structure of beneficiaries, participating enterprises |
| **4. Result-Indicators** | Identification of results                                                             | Unemployed:  
  • accessions to jobs  
  • transfer into advanced trainings  
  Enterprises:  
  • proportion of employment |
| **5. Impact-Indicators** | Ascertainment of mid- and long term effects by evaluation                             | Sustainability of employment, new enterprises |
Grant Contract contends provisions regarding

- timeframe
- financing conditions
- technical and financial reporting
- visibility
- secondary procurement
- verifications
- amendments
- payments
- rights and obligations
Irregularities

Irregularity is any infringement of applicable rules and contracts resulting from an act or an omission with the effect of prejudicing the General Budget of European Union or the State Budget of the Republic of Macedonia by charging an unjustified item of expenditure to the budget.
Irregularities

Irregularity includes any administrative or financial mismanagement either by act or by omission whether or not there is an actual loss of funds.

Any failure to comply with EU Regulations and/or any breakdown of management and/or control systems should be treated as an irregularity whether or not the irregularity itself involves any loss or potential loss of funds.
Irregularities

An ‘irregularity’ in Structural Funds terms includes any administrative or financial mismanagement that comes about either by act or by omission whether or not there is an actual loss of funds.

Any failure to comply with the Regulations (EC) No 1080/2006 and 1083/2006 and/or any breakdown of management and/or control systems should be treated as an irregularity whether or not the irregularity itself involves any loss or potential loss of funds.
Irregularities

The irregularities can be:

**Technical** – arise due to the supply of material or construction of a lower quality than was specified in the contract (works, supplies)

**Contractual** – arise due to incorrect application of the legal rules for a contract

**Financial** – from fraud or error
(fraudulent application or theft of funds; mistakes by transactions)

**Administrative** – from non-compliance with applicable rules for the tendering and financing of the projects
Irregularities

Examples of irregularity:

• Items of ineligible expenditure have been included in the calculation of grant previously claimed and paid

• Progress against targets / objectives which have been included in previous progress reports has been inflated
Irregularities

Examples of irregularity:

• Evidence that a project has failed to implement the European Commission’s requirements on publicity or procurement

• Evidence that a partner organization has not set up adequate systems to control and monitor the grant awarded to projects
"irregularity" and "fraud"

An **irregularity** is an act which doesn’t comply with EU rules and which has a potentially negative impact on EU financial interests, but which may be the result of genuine errors committed both by beneficiaries claiming funds and by the authorities responsible for making payments.

If an irregularity is committed deliberately, however, it’s fraud.

*Council Regulation 2988/95*

Irregularity is any infringement of an EU provision by an economic operator which has, or would have, the effect of prejudicing the EU’s financial interests.

Fraud is an irregularity committed intentionally with the intention of illicit gain which constitutes a criminal offence.
Reporting

Reporting on suspected fraud and other irregularities

The IPA II beneficiary shall report suspected fraud and other irregularities which have been the subject of a primary administrative or judicial finding, without delay, to the Commission and keep the latter informed of the progress of administrative and legal proceedings. Reporting shall be done by electronic means using the module provided by the Commission for this purpose.
suspected or detected irregularities have to be:

• reported to the IPA Coordinator in the MLSP and Contracting Authority.
• stated in the Quarterly Report
Reporting

- The **obligation to report** serious irregularities **applies to all employees** of the institutions
- Investigation of wrongdoings is within the competencies of OLAF
- National Authorizing Officer shall transmit it, without delay to the EC and OLAF
Reporting

National Authorizing Officer has to report to the Commission and OLAF on any irregularities.

If irregularity or fraud is proven, this shall entail reimbursement of funds to the EC by the Republic of Macedonia.

The public servants have the obligation of reporting any suspected/detected irregularity.
Reporting

Irregularities to report: 5W

Who it is about?

What happened?

When did it take place?

Where did it take place?

Why did it happen?

Actions / measures to overcome and prevent similar faults
Fighting Frauds

Results of OLAF’s work

(Office Européen de Lutte Anti-Fraude / European Anti-Fraud Office)

Result of 3 500 investigations since 1999:

- 335 individuals have received prison sentences totaling 900 years

- over €1.1 billion of EU money has been recovered (excluding financial penalties)

- on average OLAF has contributed to the recovery of €100 million a year.

http://ec.europa.eu/anti-fraud/home_en
ANTI-FRAUD STRATEGY
Main guiding principles and target standards

Enhanced transparency. This is an important tool in the fight against fraud. The relevant information on the use of EU funds should so far as possible be available in a format which can be audited, compared and analysed for anti-fraud purposes, subject to the relevant data protection rules.

Fraud prevention. The design of spending programmes is the first stage of effective fraud prevention. Therefore, an analysis of the potential for exposure to fraud will be included in feasibility studies and impact assessments, wherever relevant. At the implementation stage of the programmes, cost-effective and risk-based monitoring and control mechanisms should ensure proper mitigation of the risk of fraud.
Consequences of irregularity

Article 2

1. Administrative checks, measures and penalties shall be introduced in so far as they are necessary to ensure the proper application of Community law. They shall be effective, proportionate and dissuasive so that they provide adequate protection for the Communities financial interests.

_Council Regulation 2988/95_

on the protection of the European Communities financial interests supplemented by _Council Regulation (Euratom, CE) No 2185/96_
Consequences of irregularity

Article 5

(a) payment of an administrative fine;

(b) payment of an amount greater than the amounts wrongly received or evaded, plus interest where appropriate; this additional sum shall be determined in accordance with a percentage to be set in the specific rules, and may not exceed the level strictly necessary to constitute a deterrent;

(c) total or partial removal of an advantage granted by Community rules, even if the operator wrongly benefited from only a part of that advantage;
Consequences of irregularity

Article 5

(d) exclusion from, or withdrawal of, the advantage for a period subsequent to that of the irregularity;

(e) temporary withdrawal of the approval or recognition necessary for participation in a Community aid scheme;

(f) the loss of a security or deposit provided for the purpose of complying with the conditions laid down by rules or the replenishment of the amount of a security wrongly released;

_Council Regulation 2988/95_
Consequences of irregularity

Article 7

On-the-spot checks and inspections may concern, in particular:

— professional books and documents such as invoices, lists of terms and bank conditions, pay slips, statements of materials used and work done, and statements held by economic operators,

— computer data,

— production, packaging and dispatching systems and methods,

— physical checks as to the nature and quantity of goods or completed operations,

Council Regulation (Euratom, CF) No 2185/96

“Support to the Employment Service Agency for implementation of active labour market measures and services”

This project is funded by the European Union.
2.4. Sanctions

The Commission will streamline and reinforce the use of financial and/or administrative penalties, including exclusion from EU financing in the event of serious irregularities, fraud and corruption. When deciding what penalties to impose on legal entities, account should be taken of the measures which these entities have taken against persons responsible for fraud and corruption. These penalties should receive appropriate publicity, in compliance with the existing legal framework.
List of sources: where to find documents

IPA II regulations:
http://ec.europa.eu/enlargement/instruments/overview/index_en.htm

REGULATION (EU) No 236/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 laying down common rules and procedures for the implementation of the Union’s instruments for financing external action

National Strategy

General information:

Funding allocation Macedonia:

Financing agreement (provisions of financial management):

Administrative structure / financial management:
http://cfcd.finance.gov.mk

“Support to the Employment Service Agency for implementation of active labour market measures and services”
This project is funded by the European Union.
List of sources: where to find documents

Irregularities

Council Regulation 2988/95
http://ec.europa.eu/anti-fraud/home_en

Call for proposals / tender procedure:

http://ec.europa.eu/social/main.jsp?catId=629


Practical Guide for contracting procedures
http://ec.europa.eu/europeaid/prag/?header_description=DEVCO+Prag+to+financial+and+contractual+procedures+applicable+to+external+actions
List of sources: where to find documents

Partnership

COMMISSION IMPLEMENTING REGULATION (EU) No 447 2014 of 2 May 2014.pdf, Art. 18, 19

Application form


Project Cycle Management:


Communication and visibility:


de minimis:

List of sources: where to find documents

Fighting frauds
http://ec.europa.eu/anti-fraud/home_en

Consequences of irregularities
Council Regulation 2988/95
on the protection of the European Communities financial interests
supplemented by Council Regulation (Euratom, CE) No 2185/96


Secondary procurement
http://ec.europa.eu/europeaid/prag/?header_description=DEVCO+Praq+to+financial+and+contractual+procedures+applicable+to+external+actions+financed+from+the+general+budget+of+the+EU+and+from+the+11th+EDF&header_keywords=ePraq%2C+europa

Visibility